

Message Text

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ACTION STR-07

INFO OCT-01 NEA-11 IO-13 ISO-00 STRE-00 AF-10 ARA-10
EA-10 EUR-12 OIC-02 JUSE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00
AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 /169 W
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P 081723Z MAY 78
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 9334
INFO AMEMBASSY TEL AVIV

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USMTN

STR FOR ACTION

STR PASS CODEL

E.O. 11652: N/A
TAGS: MTN, ETRD, IS
SUBJECT: MTN: DISCUSSION WITH ISRAELI TRADE OFFICIALS
- REGARDING POSSIBLE ISRAELI CONTRIBUTIONS TO MTN

REF: (A) TEL AVIV 5615

1. SUMMARY: DR. COHEN, DEPUTY DIRECTOR GENERAL FOR
FOREIGN TRADE, MINISTRY OF INDUSTRY, TRADE AND TOURISM,
MET WITH AMBASSADOR MCDOTAG
STO ELABORATE ISRAELI
POSITION REGARDING POSSIBLE TARIFF CONTRIBUTIONS TO
MTN. COHEN SAID THAT IN ADDITION TO PREVIOUS ISRAELI
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TRADE LIBERALIZATION MEASURES, ISREAL IS CONSIDERING
OFFERING 20 PERCENT TARIFF REDUCTIONS ON THE "MAJORITY"
OF ITEMS SUBJECT TO U.S. MTN REQUESTS, BIND THESE
REDUCED RATES, RESPOND FAVORABLY TO A LARGE NUMBER OF
U.S. NTM REQUESTS, AND CONSIDER DELAYED BINDINGS
ON CERTAIN ITEMS SUBJECT TO THE US/ISRAELI GSP ARRANGE-
MENT. BEFORE ENGAGING IN DETAILED DISCUSSIONS ON

THESE POSSIBLE CONTRIBUTIONS, HOWEVER, DR. COHEN BELIEVES THAT THERE SHOULD BE A BILATERAL REVIEW OF THE ITEMS SUBJECT TO THE US/ISRAELI GSP AGREEMENT. COHEN SUGGESTED THAT THE BILATERAL AGREEMENT BE FOLDED INTO ONE PACKAGE UNDER THE MTN.

2. DR. COHEN, ACCOMPANIED BY LOCAL ISRAELI GENEVA REPS (ELIASHIV AND PERI) MET WITH AMB MCDONALD ON MAY 3 TO ELABORATE THE ISRAELI POSITION ON POSSIBLE TARIFF CONTRIBUTIONS IN THE MTN. THIS SESSION WAS PRECEDED BY A TECHNICAL REVIEW WITH THE U.S. TEAM (WALLAR AND CASSIDY) WHICH COVERED MANY OF THE SAME POINTS IN DETAIL. DR. COHEN INITIATED THE DISCUSSION BY REVIEWING ISRAEL'S PREVIOUS POSITION REGARDING MTN CONTRIBUTIONS. HE REPEATED THE LITANY OF UNILATERAL TRADE LIBERALIZATION MEASURES TAKEN BY ISRAEL IN 1977, WHICH HE COMPARED FAVORABLY WITH THE PROPOSED LIBERALIZATION MEASURES OF OTHER DEVELOPING COUNTRIES (INDIA, KOREA). IN LIGHT OF THESE ACTIONS, HE CLAIMED THAT HE DID NOT EXPECT REQUESTS FROM THE U.S. FOR MORE ISRAELI CONTRIBUTIONS IN THE MTN. SINCE THIS INITIAL ATTITUDE PROMPTED A NEGATIVE REACTION FROM THE U.S., ISRAEL RE-EXAMINED ITS POSITION AND DECIDED TO ENTER INTO A DIALOGUE REGARDING POSSIBLE CONTRIBUTIONS IN THE MTN. AS A FIRST STEP THEY HAVE ANALYZED THE U.S. OFFER AND FOUND IT "PUZZLING AND DISAPPOINTING".

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FOR EXAMPLE, ON ITEMS SUBJECT TO GREATER THAN FORMULA CUTS, EXCEPT DIAMONDS, ISRAEL ALREADY RECEIVES GSP. THE PROPOSED TARIFF CUTS WOULD ERODE ISRAEL'S MARGIN OF PREFERENCE AND WORSEN ITS POSITION VIS-A-VIS ITS PRINCIPAL DEVELOPEDCOUNTRY COMPETITORS. POSITIVE BENEFITS WHICH ISRAEL IDENTIFIED IN THE U.S. OFFER ARE TARIFF CUTS OF ITEMS, PRIMARILY ON TEXTILE ITEMS, WHICH ARE NOT ON GSP. THESE ITEMS AMOUNT TO ABOUT \$10 MILLION. COHEN EXPRESSED FURTHER DISAPPOINTMENT WITH THE U.S. OFFER CLAIMING THAT THE U.S. HAD NOT BEEN RESPONSIVE TO ISRAEL'S AGRICULTURE AND NTM REQUESTS.

3. U.S. DISAGREED WITH THE ISRAELI CONTENTION THAT U.S. OFFER DID LITTLE FOR ISRAEL, POINTING TO THE FORTHCOMING NATURE OF THE U.S. OFFER, INCLUDING THE SPECIFIC ACTION TAKEN ON ISRAEL'S AGRICULTURE AND NTM REQUESTS. AMB MCDONALD POINTED TO THE LONG-TERM BENEFITS OF MFN TARIFF REDUCTIONS, WHILE GSP IS ONLY OF A TEMPORARY NATURE. INDEED, SOME ITEMS RECEIVING GSP HAD BEEN EXCLUDED FOR ISRAEL UNDER THE U.S. TRADE ACT COMPETITIVE NEED FORMULA. COHEN NOTED THESE POINTS, BUT REMARKED THAT ISRAEL IS IN A UNIQUE POSITION AMONG DEVELOPING

COUNTRIES, HAVING GIVEN RECIPROCITY TO GAIN U.S. GSP THROUGH A BILATERAL AGREEMENT. THE U.S. POSITION WAS "PUZZLING" TO DR. COHEN IN THAT, ON ONE HAND, ISRAELI CONCESSIONS WERE MADE TO GAIN U.S. GSP, WHILE, ON THE OTHER HAND, THE U.S. IS SEEKING ADDITIONAL ISRAELI CONTRIBUTIONS IN THE MTN FOR U.S. TARIFF CUTS WHICH WOULD ERODE THESE PREFERENTIAL MARGINS. COHEN SUGGESTED THAT WE "START FROM SCRATCH", LOOKING AT ITEMS SUBJECT TO THE U.S./ISRAELI GSP AGREEMENT AS WELL AS ITEMS ON THE U.S. MTN REQUEST LIST, WITH A VIEW TO FORMULATING A TOTAL PACKAGE WHICH COULD SATISFY CONSTITUENCIES IN BOTH COUNTRIES.

4. WITH THIS BACKGROUND IN MIND, COHEN ELABORATED LIMITED OFFICIAL USE

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ON THE LETTER OF 23 APRIL BY MINISTER HURVITZ (REFTEL)
ON THE TYPES OF CONTRIBUTIONS ISRAEL IS CONSIDERING,

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USMTN

STR FORACTION; STR PASS CODEL

WITHOUT PREJUDICE TO THEIR PRESENT NEGOTIATING POSITION. ACCORDING TO DR. COHEN, ISRAEL IS CONSIDERING 20 PERCENT TARIFF CUTS ON THE "MAJORITY" OF ITEMS SUBJECT TO U.S. MTN REQUESTS, BINDING OF THESE NEW TARIFFS, FAVORABLE RESPONSES TO NTM REQUESTS ON A "LARGE NUMBER" OF ITEMS, AND DELAYED (DUE TO COMPLICATIONS STEMMING FROM THEIR BILATERAL ARRANGEMENT WITH THE EC) BINDINGS ON CERTAIN ITEMS SUBJECT TO THE U.S./ISRAELI GSP ARRANGEMENT. WHEN U.S. DEL QUERIED ON THE SPECIFIC ITEMS WHICH ISRAEL IS CONSIDERING MAKING OFFERS, COHEN INDICATED THAT THE FIRST STEP IN THIS SCENARIO SHOULD BE A REVIEW OF THE ITEMS SUBJECT TO THE US/ISRAELI GSP AGREEMENT. SINCE THE 1975 AGREEMENT WAS SIGNED, THE SITUATION HAD CHANGED REGARDING ITEMS SATISFYING THE THREE CRITERIA FOR INCLUSION IN THE ARRANGEMENT. COHEN OBSERVED THAT THE U.S. INITIALLY PROPOSED THAT THESE ITEMS LIMITED OFFICIAL USE

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BE REVIEWED AND INDICATED THAT ISRAEL IS PREPARED TO DO SO. WHEN HE RAISED THE QUESTION DURING HIS VISIT TO WASHINGTON IN MARCH HE DISCOVERED THAT THE UNITED STATES IS NOT PREPARED. IN RESPONSE TO ANOTHER U.S. QUERY, COHEN SAID THAT THE REVIEW COULD BE HELD AT AN EARLY DATE (MAY) AND THAT A DETAILED PRESENTATION OF THEIR POSSIBLE CONTRIBUTIONS COULD BE MADE IMMEDIATELY (I.E., THE SAME DAY) FOLLOWING THAT REVIEW.

5. AMB MCDONALD APPRECIATED THE FORTHCOMING ISRAELI ATTITUDE, BUT SAID THE UNITED STATES WOULD HAVE TO BE ABLE TO LOOK AT ALL THE DETAILS BEFORE WE COULD MAKE ANY ASSESSMENT OF ANY KIND ON PACKAGE ARRANGEMENT. U.S. DEL PROMISED TO INQUIRE AS TO WHETHER THE UNITED STATES WAS IN A POSITION TO ENGAGE IN REVIEW OF THE ITEMS SUBJECT TO THE U.S./ISRAELI GSP AGREEMENT.

6. AT THE TECHNICAL LEVEL DISCUSSIONS, COHEN ASSERTED THAT ISRAEL'S PRIMARY INTEREST IN THE MTN ARE THE NTM CODES, BUT NOW THEY ARE WILLING TO LOOK AT OPPORTUNITIES IN NEGOTIATIONS REGARDING TARIFFS. U.S. DEL NOTED THAT ALL ELEMENTS REQUIRED TO ENGAGE IN NEGOTIATIONS ARE NOT YET PRESENT. U.S. REQUESTS AND OFFERS ARE ON THE TABLE BUT NO REQUESTS AND ONLY A GENERAL INDICATION OF POSSIBLE OFFERS HAVE BEEN MENTIONED BY ISRAEL. COHEN EXPRESSED UNEASINESS ABOUT PROCEEDING FURTHER ON REQUESTS AND OFFERS SINCE TECHNIQUES FOR TARIFFS NEGOTIATIONS FOR NON-FORMULA COUNTRIES HAVE NOT BEEN ESTABLISHED. FURTHERMORE, HE DOES NOT WANT ISRAEL TO BE THE FIRST LDC TO COMEFORTH IN A REQUEST/OFFER PROCEDURE. U.S. DEL NOTED THAT TIME IS RUNNING

OUT FOR TARIFF NEGOTIATIONS, ESPECIALLY IF ISRAEL HAD
ANY INTEREST IN THE U.S. MAINTAINING OR POSSIBLY IMPROVING
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ITS OFFER. COHEN REVEALED THAT ISRAEL HAD DEVELOPED
A LIST OF TARIFFS REQUESTS FOR THE U.S. WHICH HE MAY
SUBMIT IN THE NEAR FUTURE. DETAILS OF ANY POSSIBLE
ISRAELI OFFER, HE INSISTED, COULD NOT BE DISCUSSED UNTIL
THERE HAD BEEN A REVIEW OF THE ITEMS SUBJECT TO THE
US/ISRAELI GSP ARRANGEMENT.

7. COMMENT: U.S. DEL CONSIDERS FORTHCOMING ISRAELI
ATTITUDE A POSITIVE DEVELOPMENT IN THE BILATERAL NEGOTIATIONS. WE ARE WARY, HOWEVER, THAT THE ISRAELI
APPROACH MIGHT BE HARBORING ULTERIOR MOTIVES WITH RESPECT
TO FOLDING IN THE ISRAELI GSP CONCESSIONS INTO ONE
MTN PACKAGE (E.G. DELETING SOME ITEMS SUBJECT TO THE
PRESENT AGREEMENT). SINCE THE U.S. REQUESTED A REVIEW
OF THE ITEMS SUBJECT TO THIS BILATERAL ARRANGEMENT
INDEPENDENT OF THE MTN, SUCH A REVIEW AT THIS TIME
WOULD NOT PREJUDICE OUR MTN OBJECTIVES. INDEED, OUR
NEGOTIATING POSSIBILITIES COULD BE IMPROVED BY CALLING
ISRAEL'S HAND TO SEE WHAT IT IS PREPARED TO OFFER
IF COHEN FOLLOWS THROUGH WITH RELEASE OF DETAILS ON
THEIR INITIAL OFFER.

8. ACTION REQUESTED: PLEASE INDICATE WHETHER THE UNITED
STATES IS PREPARED AND WILLING TO CONDUCT A REVIEW OF
THE ITEMS SUBJECT TO THE US/ISRAELI GSP ARRANGEMENT.
IF SO, THE U.S. SHOULD SUGGEST A PRECISE DATE AND LOCATION FOR SUCH A REVIEW.

9. DRAFTED BY WALLAR. MCDONALD

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Message Attributes

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